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TAX·FEATURES

Aid to States Up 4% in FY83; NY, CA, PA, IL, TX Lead the Field

The Federal government disbursed $88.8 billion in grants-in-aid to state and local governments in fiscal year 1983, $3.3 billion or 4 percent more than in fiscal 1982, according to Tax Foundation researchers. The 1983 increase followed a $7.0 billion reduction from fiscal 1981 to fiscal 1982, the first decline since the end of World War II. In 1983, the level of grants returned close to the 1980 level.

During the 1970s, grants grew at an average annual rate of 15 percent, Tax Foundation analysis reveals. The recent slowdown in the rate of growth stems largelyfrom the Omnibus Budget Reconciliation Act of 1981 which consolidated many grant programs into larger block grants.

The five largest grant programs are Medicaid, interstate highway construction grants, Aid to Families With Dependent Children, subsidized housing, and general revenue sharing. Together they accounted for $45.3 billion, more than 51 percent of the grants disbursed in 1983. Medicaid grants alone amounted to $18.9 billion, or 21.3 percent of the total. Ten states—New York, California, Pennsylvania, Illinois, Texas, Ohio, Michigan, Massachusetts, Florida, and New Jersey—received more than 54 percent of all grants-in-aid in fiscal 1983, a total of $47.7 billion.

Per capita Federal grants for the U.S. as a whole averaged $381 in 1983. State by state, they ranged from a high of $2,114 in the District of Columbia to $245 in Texas. Other high ranking states were Alaska ($1,029), Vermont ($596), New York ($568), and Montana ($548). At the low end of the scale were Florida ($265), Arizona ($282), Indiana ($282), and Virginia ($304).

The costs of supporting the grant programs fell on the residents of 19 states, whose aggregate Federal tax burdens to support grant programs exceeded the amount of grants received by their respective state and local governments. The 125 million persons residing in these "paying" states bore 57 percent of the tax costs to support grant programs—$50,811 million—while their state and local governments received $41,230 million in Federal grants-in-aid, for an average Federal tax burden per dollar of Federal aid of $1.23. On the other hand, the 108 million residents of the other 31 states and the District of Columbia (the "receiving" states) paid, on the average, 80 cents in Federal taxes for each dollar of Federal grants received by their respective state and local governments—$37,955 million in Federal taxes for $47,536 million in Federal aid.

For the third year in a row, the residents of the Lone

(Continued on page 2)

Congress to Spend 16% More On Itself in Fiscal 1984; $1.7 Billion Total Budget

For all the talk of budget-cutting and sharing the pain of austerity, the U.S. Congress will increase its own budget by nearly 16 percent this year, according to Tax Foundation analysis. Congress will spend nearly $1.7 billion on itself and its agencies in fiscal year 1984, based on current Budget estimates. That is $230 million more than the Senate, House of Representatives, and related agencies cost taxpayers last year, say economists at the Washington-based tax watchdog organization. The 1985 Budget presented in February of this year reports estimated outlays for Congressional activities in 1984 at $1,667 million, compared with actual spending of

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Outlays for the Legislative Branch of the Federal Government by Unit
Selected Fiscal Years 1970-1984[a]
(Thousands)

Unit	1970	1975	1980	1983	1984
Total	$343,147	$726,191	$1,217,985	$1,437,292	$1,667,079
Congress, total	179,159	326,214	581,543	722,680	799,634
Senate	57,585	102,237	183,890	227,439	262,759
House of Representatives	108,279	178,988	324,569	399,800	452,525
Joint activities	13,295	44,989	73,084	95,441	84,350
Legislative agencies, total	163,988	399,977	636,442	714,552	867,375
Architect of the Capitol	18,797	50,984	89,496	90,572	129,669
Botanic Garden	620	998	1,583	2,080	2,348
Congressional Budget Office	—	—	12,101	13,897	16,431
General Accounting Office	69,857	125,941	201,192	251,140	271,162
Government Printing Office	34,141	121,436	115,747	87,935	105,031
Library of Congress	49,804	100,795	192,740	252,138	321,193
Office of Technology Assessment	—	2,723	11,131	12,881	14,665
U.S. Tax Court	2,972	11,028	9,703	12,838	15,971
Other	—	—	13,675	910[b]	849
Deductions for offsetting receipts	−12,203	−15,370	−10,926	−9,779	−9,874

[a]Data for 1984 are estimates from the Budget presented in February 1984.
[b]Decline from 1980 reflects primarily the phasing out of the Temporary Commission on Financial Oversight of the District of Columbia, for which fiscal 1980 outlays were $11,622 thousand.
Source: Office of Management and Budget.

Federal Grants-in-Aid to State and Local Governments and Estimated Federal Tax Burden for Federal Grants
Fiscal Year 1983

State	Grants[a] (millions)	Percent of total tax burden	Estimated tax burden for grants[b] (millions)	Tax burden per dollar of aid Amount	Rank
TOTAL U.S.	$88,766.5	100.00	$88,766.5	$1.00	—
Alabama	1,433.7	1.24	1,101.4	.77	38
Alaska	483.4	.32	287.7	.60	45
Arizona	830.7	1.10	977.1	1.18	11
Arkansas	896.8	.68	600.7	.67	44
California	9,140.1	11.84	10,512.0	1.15	13
Colorado	1,015.6	1.48	1,312.8	1.29	4
Connecticut	1,190.4	1.85	1,644.2	1.38	2
Delaware	306.8	.29	258.7	.84	31
Florida	2,815.6	4.38	3,887.6	1.38	3
Georgia	2,106.6	2.01	1,782.2	.85	30
Hawaii	456.7	.43	382.5	.84	33
Idaho	358.7	.31	275.9	.77	37
Illinois	4,190.2	5.64	5,008.1	1.20	8
Indiana	1,610.4	2.16	1,917.7	1.19	9
Iowa	980.2	1.13	1,004.8	1.03	18
Kansas	761.1	1.09	966.3	1.27	6
Kentucky	1,487.8	1.20	1,064.3	.72	41
Louisiana	1,695.5	1.78	1,582.1	.93	23
Maine	574.9	.37	331.4	.58	48
Maryland	1,811.1	2.08	1,848.8	1.02	19
Massachusetts	2,897.5	2.74	2,435.5	.84	32
Michigan	3,611.8	3.76	3,340.5	.92	25
Minnesota	1,762.5	1.75	1,553.4	.88	28
Mississippi	1,074.7	.72	637.8	.59	46
Missouri	1,671.7	1.95	1,728.1	1.03	17
Montana	445.4	.30	263.4	.59	47
Nebraska	574.1	.62	547.6	.95	21
Nevada	338.2	.42	374.3	1.11	14
New Hampshire	351.1	.41	363.9	1.04	16
New Jersey	2,811.5	4.07	3,608.4	1.28	5
New Mexico	533.7	.48	423.0	.79	35
New York	10,006.7	8.33	7,392.7	.74	39
North Carolina	1,875.0	2.00	1,779.0	.95	22
North Dakota	353.0	.27	241.1	.68	43
Ohio	3,641.3	4.48	3,976.7	1.09	15
Oklahoma	1,071.2	1.40	1,246.7	1.16	12
Oregon	1,068.1	1.03	912.0	.85	29
Pennsylvania	4,815.6	5.05	4,480.2	.93	24
Rhode Island	486.2	.40	352.9	.73	40
South Carolina	1,109.3	1.00	887.7	.80	34
South Dakota	357.0	.23	201.9	.57	49
Tennessee	1,581.5	1.58	1,404.6	.89	27
Texas	3,801.5	7.33	6,509.9	1.71	1
Utah	576.3	.51	453.2	.79	36
Vermont	312.0	.18	161.5	.52	50
Virginia	1,681.8	2.40	2,131.0	1.27	7
Washington	1,516.4	2.02	1,792.9	1.18	10
West Virginia	839.4	.65	579.4	.69	42
Wisconsin	1,902.7	1.91	1,694.7	.89	26
Wyoming	236.1	.26	229.9	.97	20
District of Columbia	1,317.1	.36	316.4	.24	51

[a]Excludes shared revenues and payments in lieu of taxes; includes General Revenue Sharing and trust fund aids.
[b]The total tax burden for grants is assumed to equal grant payments.
Source: U.S. Department of Commerce; Bureau of the Census, and Tax Foundation computations.

(FEDERAL GRANTS-IN-AID, from page 1)

Star State paid the highest tax premium for the grants. Each dollar of grants cost Texans $1.71 in Federal taxes. Other top paying states were Connecticut ($1.38), Florida ($1.38), Colorado ($1.29), and New Jersey ($1.28).

At the low end, each dollar of Federal grants cost the residents of the nation's capital 24 cents in Federal taxes. Other states in which favorable balances were recorded were Vermont (52 cents), South Dakota (57 cents), Maine (58 cents), and Montana (59 cents).

Compared to fiscal year 1982, the Federal tax costs of grants rose in 17 states and the District of Columbia, fell in 30 states, and remained the same in three states (Colorado, Louisiana, and Nevada). The largest increase in the ratio of Federal tax burdens per dollar of aid received occurred in Texas, where the cost rose by 12 cents, from $1.59 to $1.71. In New Mexico, the increase was 10 cents—from 69 cents to 79 cents.

Conversely, the residents of Wyoming (-19 cents), Montana (-17 cents), and North Dakota (-15 cents) experienced reductions in the cost per dollar of grants in 1983 as compared to 1982. Grants-in-aid increased by 23.6 percent in North Dakota, 24.3 percent in Wyoming, and 27.3 percent in Montana. Other states which experienced significant decreases in Federal tax costs per $1.00 of Federal aid were Iowa (15 cents), Nebraska (13 cents), and Oregon (12 cents). Both Wyoming and Nebraska changed their status from paying to receiving states in 1983. Maryland, on the other hand, went from a receiving state to a paying state.

In addition to direct costs in Federal taxes, for each dollar of grants received, the residents must also pay state and local taxes to meet the matching funds required by most Federal grant programs. The Office of Management and Budget estimates that state and local governments must put up out of their own funds approximately 43 cents for each $1.00 of aid received in fiscal 1983. This is in addition to any administrative or overhead costs that recipient governments must bear.

The Tax Foundation method for deriving the Federal tax burdens borne by the residents of each state is designed to show where tax dollars actually originate, rather than where they are collected. The data on grants-in-aid are shown as reported by the Bureau of the Census.

The accompanying table provides estimates of the grants-in-aid received by state and local governments and the associated Federal tax burdens borne by the residents to support the overall grant programs. Further details are provided in the "Memorandum on the Allocation of the Federal Tax Burden and Federal Grants-in-Aid by State, Fiscal Year 1983," available from the Tax Foundation.

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Localities Becoming More Self-Supporting

The start of the 1980s may signal a return to greater self-sufficiency on the part of local governments in financing their general-purpose programs, according to Tax Foundation economists. In fiscal year 1982, latest reported, local units raised $163.2 billion in general revenue, or 58.5 percent of the total $279.2 billion they received from all sources. The 1982 increase in locally raised funds from the previous year was $17 billion, or 12 percent. This rise followed annual increases of 12 percent in 1981 and 11 percent in 1980.

In sharp contrast, the 1982 increase in local general revenues attributable to state and Federal governments combined was only $4.5 billion, or 4 percent. State grants, at $95.0 billion in 1982, were up from 1981 by $6.0 billion, or 7 percent. On the other hand, direct Federal aid to local governments, $20.9 billion in 1982, declined by $1.5 billion, or 7 percent, from the previous year, Tax Foundation analysis reveals.

Fiscal 1982 was the third consecutive year in which local governments had evidenced growing self sufficiency in their financial operations. These units increased their own share of general revenues from a low of 55.3 percent in 1979 to 55.9 percent in 1980 and 56.7 percent in 1981. The 58.5 ratio in 1982 was the highest in nearly a decade (since 1973).

If this recent trend continues, it will mark a signifi-

(Continued on page 4)

"Fiscal 1982 was the third consecutive year in which local governments had evidenced growing self-sufficiency in their financial operations."

THE FRONT BURNER

"Ave Atque Vale"

"Hail and farewell!" The traditional greeting of the Romans, to whom our culture traces its basic respect for law and civic good order, seems somehow appropriate in considering the departure of Congressman Barber B. Conable, Jr., Ranking Minority Member on the House Ways and Means Committee, from public office. He is the kind of citizen/legislator on whom the ideals of public office sit well. He would have made a good Roman Senator.

On February 6, Mr. Conable announced that he would not seek election to an eleventh term in the United States Congress, declaring that twenty years was "long enough." How characteristic it was of the man to reveal his departure from public life in a manner as gracious and self-effacing as the way in which he exercised his time in office.

The Representative of the Thirtieth District of New York State—basically, the rural communities around Rochester and the Genessee River valley—has long enjoyed a reputation as one of the brightest and most able legislators in the House. The bipartisan statements following his announcements bore out this claim.

Representative Dan Rostenkowski of Illinois, Chairman of the Ways and Means Committee, called Mr. Conable "a remarkable intellectual and moral force." Vice President George Bush described him as "one of the most sane and able men in Congress." Senator Bob Dole of Kansas stated what some have seen as at least a partial explanation for Mr. Conable's decision not to seek reelection: "As far as intellect is concerned, Barber has it to spare. What he doesn't have are votes."

Mr. Conable's own explanation is much more modest, delivered with the self-deprecating wit for which he is well known. After recalling that he had promised his family and friends, when he first took his seat in Congress in 1965, that he would not become a professional politician wedded to Washington, he told reporters: "I felt after 20 years my amateur status had become in danger."

On November 28, 1979, Tax Foundation's Chairman Thomas M. Macioce, President of Allied Stores Corporation, presented Congressman Conable with the Foundation's Distinguished Public Service Award. In making the presentation, Mr. Macioce praised the Congressman's outstanding record of public service and explained that the award was being made, "in recognition of his distinguished congressional service, his deep commitment to the principles of sound government, and his outstanding leadership in the effort to further sound fiscal and taxation policy." Those words are as true today as they were five years ago.

Whatever Mr. Conable's reasons for retiring, the fact of his retirement saddens many people in a town not noted for its sympathy toward those who willingly lay down the reins of power and influence. The United States Congress is a mirror of the nation. It has its share of scoundrels, a vast majority of average, garden variety legislators—and a few members in each generation who achieve excellence. By virtually unanimous agreement, Barber B. Conable, Jr., fits into the ranks of the excellent. He will be sorely missed. And it is, indeed, with mixed emotions that we bid him, "Hail and farewell." *Ave atque vale.*

(LOCAL GENERAL REVENUES from page 3)

cant reversal of a long-time pattern, according to the Tax Foundation. For most of the 20th century to date, local governments have come to depend more and more on revenues raised by higher levels of governments. At the turn of the century, localities raised over 93 percent of their general revenues, a figure which had declined to 62.3 percent by 1972 and to a recent low of 55.3 percent in 1979.

"Property taxes remain the largest single source of local general revenue."

The introduction of Federal general revenue sharing in the early 1970s provided additional momentum for the ongoing decline in local governments' share in raising their own funds. Local governments now receive $4.6 billion annually in general revenue sharing funds.

While the relative importance of the property tax in local finance continued a long-time declining trend during the 1970s, recent years indicate what may be a stabilization of its current role. The share of local general revenue derived from property taxes slid from 60 cents just before World War II to a low of 28 cents in 1980. It has remained at about that level for the past three years. Local governments collected $78.8 billion in property taxes in fiscal 1982, an increase of $6.8 billion or 9 percent from 1981. Property taxes remain the largest single source of local general revenue and account for 76 percent of all local tax revenue.

It is noteworthy that local governments increased their own-source general revenues in 1981 and 1982 at rates well in excess of the states, in contrast to trends during most years in the 1970s. From 1980 to 1982 local own-source funds grew by an average annual 12.0 percent, while the similar category of state revenues rose by only 10.3 percent. Previously, from 1972 to 1980, local revenues had grown by 8.9 percent annually on average, and state revenues by 11.5 percent.

The table below provides additional details on sources of local government general revenue.

(COST OF CONGRESS from page 1)

$1,437 million in fiscal year 1983.

Increases "adopted" this year include an automatic 3.5 percent pay raise for Senators and Representatives, scheduled under 1975 law to give the members of Congress the same cost-of-living increases as those received by white-collar Federal employees. (Congress would get an additional .5 percent cost-of-living increase, retroactive to January 1, under a measure awaiting the President's signature at press time.)

In 1983, Senators voted themselves a 15 percent pay raise, matching a boost that the House voted for its members in 1982. The legislation provided that starting January 1, 1984, members of the Senate cannot receive more than 30 percent of their salary in honoraria for lectures, articles, or special appearances. As of January 1, 1984, the salary of a U.S. Senator or Representative was $72,200 a year.

This year members' compensation will include just over $1 million that taxpayers will have to put into the Social Security program to cover the "employer" contribution for members of Congress who entered the system January 1, 1984, under the Social Security Amendments of 1983.

"Congress alone will cost the taxpayers $800 million in fiscal 1984—$263 million for the Senate, $453 million for the House of Representatives, and $84 million for joint activities."

Congress alone will cost the taxpayers $800 million in fiscal 1984—$263 million for the Senate, $453 million for the House of Representatives, and $84 million for joint activities. Another $867 million will be spent by various legislative agencies, up from $715 million in 1983—a rise of more than 21 percent in a single year. These agencies include, among others, the Architect of the Capitol, General Accounting Office, Government Printing Office, and Library of Congress.

Legislative salaries make up a substantial share of all costs of Congress. As of September 1983 (latest period reported) there were 39,167 persons on the Legislative Branch payroll, including members of Congress.

Percentage Distribution of Local General Revenue by Source
Selected Fiscal Years 1902-1982

Year	Amount[a] (millions)	Percent of total						
		From own sources					Intergovernmental	
		Total	Taxes			Charges and miscellaneous	From state	From Federal government
			Total	Property	Other			
1902	$ 854	93.4	82.4	73.1	9.3	11.0	6.1	.5
1913	1,637	94.1	79.9	72.8	7.1	14.2	5.6	.4
1922	3,866	91.7	79.4	76.9	2.5	12.3	8.1	.2
1932	5,690	85.7	75.1	73.1	2.0	10.6	14.1	.2
1940	6,939	72.2	64.8	60.1	4.7	7.3	23.8	4.0
1950	14,014	68.4	57.0	50.2	6.8	11.4	30.1	1.5
1960	33,026	69.4	54.7	47.8	5.9	14.6	28.8	1.8
1965	47,527	68.1	52.8	45.9	6.9	15.2	29.5	2.4
1969	71,943	63.7	48.3	41.3	7.0	15.4	33.1	3.1
1970	80,917	63.5	48.0	40.7	7.3	15.5	33.3	3.2
1971	91,963	62.5	47.2	39.9	7.3	15.3	33.8	3.7
1972	105,243	62.3	47.3	39.5	7.8	15.0	33.4	4.3
1973	118,392	59.6	44.8	37.1	7.7	14.8	33.8	6.7
1974	131,434	58.4	43.0	35.3	7.7	15.4	33.9	7.8
1975	146,307	57.7	41.9	34.2	7.7	15.7	34.9	7.4
1976	162,931	57.2	41.5	33.7	7.8	15.7	34.5	8.3
1977	179,045	57.1	41.8	33.7	8.1	15.3	33.7	9.2
1978	194,784	56.8	41.3	32.9	8.4	15.6	33.2	10.0
1979	211,987	55.3	38.0	29.5	8.5	17.3	35.0	9.7
1980	232,452	55.9	37.2	28.2	9.0	18.8	35.0	9.1
1981	257,180	56.7	36.9	28.0	8.9	19.8	34.6	8.7
1982	279,203	58.5	37.1	28.2	8.9	21.3	34.0	7.5

[a]General revenue represents total revenue less utility, liquor store, and insurance trust revenue.
Source: Department of Commerce, Bureau of the Census; percentage computations by Tax Foundation.